

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1455 - SB 1468

February 5, 2018

SUMMARY OF BILL: Prohibits a health insurer or health benefit plan from denying coverage or payment for a medical service, product, or device for certain medical purposes, conditions, diseases, or treatments on the basis that the medical service, product, or device is experimental or investigational in nature, if the federal Medicare program covers the service, product, or device.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – \$5,415,400

Increase Federal Expenditures - \$2,395,800

Increase Local Expenditures – Exceeds \$657,000*

Assumptions:

- Based on information provided by the Division of TennCare (Division), in a three-year period review of denied experimental/investigational (E/I) claims, approximately \$7,200,000 claims per year would be impacted under the proposed legislation. Not all claims denied will be covered under Medicare. It is estimated that 50 percent of these claims, or approximately \$3,600,000 ($\$7,200,000 \times 50.0\%$), would have to be paid by the Division if the Medicare definition of E/I is required.
- Medicaid expenditures receive matching funds at a rate of 65.858 percent federal funds to 34.142 percent state funds. Of this amount, \$1,229,112 ($\$3,600,000 \times 34.142\%$) will be in state funds and \$2,370,888 ($\$3,600,000 \times 65.858\%$) will be in federal funds.
- Based on information provided by the Division of Benefits Administration (Benefits Administration), the “exclusions and limitations” sections of the *State Plan Document*, *Local Education Plan Document* and *Local Government Plan Document* explicitly exclude E/I services.
- Benefits Administration consulted with its contracted qualified independent actuary to determine a fiscal impact for the proposed legislation, resulting in an estimate of a \$7,300,000 impact on total claims. Fiscal Review Committee staff is unable to verify the validity of this number.

- It is estimated that 52 percent of members are on the state plan, 39 percent are on the Local Education Plan, and the remaining 9 percent of members are in the Local Government Plan.
- According to Benefits Administration, the state contributes 80 percent of member premiums resulting in a recurring increase in state expenditures of \$3,036,800 ($\$7,300,000 \times 52.0\% \times 80.0\%$).
- According to Benefits Administration, the state contributes 45 percent of instructional staff premiums (75 percent of Local Education Plan members) and 30 percent of support staff members premiums (25 percent Local Education Plan members) resulting in an increase in state expenditures estimated to be \$1,174,388 [$(\$7,300,000 \times 39.0\% \times 75.0\% \times 45.0\%) + (\$7,300,000 \times 39.0\% \times 25.0\% \times 30.0\%)$].
- According to Benefits Administration, some state plan members' insurance premiums are funded through federal dollars. It is estimated 0.82 percent of the state share of the state plan is funded with federal dollars, resulting in an increase in federal expenditures estimated to be \$24,902 ($\$3,036,800 \times 0.82\%$).
- The total increase in state expenditures is estimated to be \$5,415,398 ($\$1,229,112 + \$3,036,800 + \$1,174,388 - \$24,902$) in FY18-19 and subsequent years.
- The total increase in federal expenditures is estimated to be \$2,395,790 ($\$2,370,888 + \$24,902$) in FY18-19 and subsequent years.
- The state does not contribute to the Local Government Plan; any increase in premiums will be entirely absorbed by the participating agencies and their members.
- It is estimated the Local Government Plan would be responsible for a mandatory increase in local expenditures estimated to be \$657,000 ($\$7,300,000 \times 9.0\%$).
- It is unknown the impact on local governments that do not opt into the Local Government Plan; therefore, the total increase in local expenditures is estimated to exceed the \$657,000 increase to the state plan.
- The Department of Commerce and Insurance can accommodate the provisions of the legislation utilizing existing resources.

IMPACT TO COMMERCE:

Increase Business Revenue – Exceeds \$8,468,200

Increase Business Expenditures – Exceeds \$8,468,200

Assumptions:

- Healthcare providers will experience an increase in business revenue for providing E/I services estimated to exceed \$8,468,188 ($\$5,415,398 + \$2,395,790 + \$657,000$) in FY18-19 and subsequent years.
- The estimated increase in business expenditures is estimated to exceed \$8,468,188 in FY18-19 and subsequent years.

- For companies to retain solvency, any increased expenditures will be less than the amount of revenue collected.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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